

#### FEDERAL RESERVE SYSTEM

Agency information collection activities: Announcement of Board approval under delegated authority and submission to OMB

Capital Plans; Final Agency Information Collection Activities

SUMMARY: On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board of Governors of the Federal Reserve System (Board) its approval authority under the Paperwork Reduction Act (PRA), pursuant to its regulations, to approve of and assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board under conditions set forth in its regulations. Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the PRA submission, supporting statements and approved collection of information instruments are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

#### FOR FURTHER INFORMATION CONTACT:

Federal Reserve Board Clearance Officer—Cynthia Ayouch—Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452–3829. Telecommunications Device for the Deaf (TDD) users may contact (202) 263–4869. Board of Governors of the Federal Reserve System, Washington, DC 20551. OMB Desk Officer—Shagufta Ahmed —Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street NW., Washington, DC 20503.

# Final approval under OMB delegated authority for the implementation of the following report:

Report title: Capital Assessments and Stress Testing.

Agency form number: FR Y-14A and FR Y-14Q.

OMB control number: 7100-0341.

Frequency: Annual and Quarterly.

Reporters: Large domestic bank holding companies (BHCs), that participated in the

2009 Supervisory Capital Assessment Program (SCAP) exercise.

Estimated annual reporting hours: FR Y-14A: Summary, 15,580 hours; Macro scenario,

589 hours; Counterparty credit risk (CCR), 2,292 hours; Basel III, 380 hours; and

Regulatory capital instruments, 380 hours. FR Y-14 Q: Securities risk, 760 hours; Retail

risk, 431,908 hours; Pre-provision net revenue (PPNR), 47,500 hours; Wholesale

corporate loans, 3,840 hours; Wholesale commercial real estate (CRE) loans, 4,560

hours; Trading, private equity, and other fair value assets (Trading risk), 41,280 hours;

Basel III, 1,520 hours; and Regulatory capital instruments, 3,040 hours.

Estimated average hours per response: FR Y-14A: Summary, 820 hours; Macro

scenario, 31 hours; CCR, 382 hours; Basel III, 20 hours; and Regulatory capital

instruments, 20 hours. FR Y-14 Q: Securities risk, 10 hours; Retail risk, 5,683 hours;

PPNR, 625 hours; Wholesale corporate loans, 60 hours; Wholesale CRE loans, 60 hours;

Trading risk, 1,720 hours; Basel III, 20 hours; and Regulatory capital instruments, 40

hours.

*Number of respondents:* 19.

General description of report: The FR Y-14A and Q are authorized by section 165 of the

Dodd-Frank Act which requires the Federal Reserve to ensure that certain BHCs and

nonbank financial companies supervised by the Federal Reserve are subject to enhanced

risk-based and leverage standards in order to mitigate risks to the financial stability of the

United States. 12 U.S.C 5365. Additionally, Section 5 of the BHC Act authorizes the Board to issue regulations and conduct information collections with regard to the supervision of BHCs. 12 U.S.C. 1844.

As these data will be collected as part of the supervisory process, they are subject to confidential treatment under exemption 8 of the Freedom of Information Act. 5 U.S.C. 552(b)(8). In addition, commercial and financial information contained in these information collections may be exempt from disclosure under Exemption 4. 5 U.S.C. 552(b)(4). Disclosure determinations would be made on a case-by-case basis.

Abstract: During the years leading up to the recent financial crisis, many BHCs made significant distributions of capital, in the form of stock repurchases and dividends, without due consideration of the effects that a prolonged economic downturn could have on their capital adequacy and ability to continue to operate and remain credit intermediaries during times of economic and financial stress. In 2009, the Board conducted the SCAP, a "stress test" of 19 large, domestic BHCs. The SCAP was focused on identifying whether large BHCs had capital sufficient to weather a more-adverse-than-anticipated economic environment while maintaining their capacity to lend. In early 2011, the Federal Reserve continued its supervisory evaluation of the resiliency and capital adequacy processes of the same 19 BHCs through the Comprehensive Capital Analysis and Review (CCAR 2011). The CCAR 2011 involved the Federal Reserve's forward-looking evaluation of the internal capital planning processes of the BHCs and their anticipated capital actions in 2011, such as increasing dividend payments or repurchasing or redeeming stock.

On June 17, 2011, the Federal Reserve published the Capital Plan rulemaking (or proposed rule) in the *Federal Register* for public comment (76 FR 35351) that would revise the Board's Regulation Y to require large BHCs to submit capital plans to the Federal Reserve annually among other things. The public comment period for the capital plan rule ended on August 5, 2011. In connection with submissions of capital plans to the Federal Reserve, BHCs would be required, pursuant to proposed section 225.8(d)(3), to provide certain data to the Federal Reserve. At the time of the proposed rule, the Federal Reserve did not have sufficient detail about the data to be submitted by the BHCs under proposed section 225.8(d)(3). For this reason, the Federal Reserve put forth this proposal to collect the data to support the ongoing CCAR exercise, which would fulfill the data collection contemplated under proposed section 225.8(d)(3).

As proposed, the FR Y-14A will collect annually BHCs' quantitative projections of balance sheet assets and liabilities, income, losses, and capital across a range of macroeconomic scenarios and qualitative information on methodologies used to develop internal projections of capital across scenarios. One or more of the scenarios would include a market shock that the BHCs would assume when making trading and counterparty loss projections. Also, as proposed, the FR Y-14Q will collect detailed data on BHCs' various asset classes and PPNR for the reporting period, which would be used to support supervisory stress test models and for continuous monitoring efforts, on a quarterly basis.<sup>1</sup> These data will be used to assess the capital adequacy of large BHCs using forward-looking projections of revenue and losses. In addition, these data will be

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<sup>&</sup>lt;sup>1</sup> For some schedules, except as noted in the discussion of comments, BHCs will be required to submit both quarterly and annual schedules for third quarter data.

used to help inform the Federal Reserve's operational decision making as the agency moves ahead with implementing the capital plan rulemaking.

Under section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), the Federal Reserve is required to issue regulations relating to stress testing (DFAST) for certain BHCs and nonbank financial companies supervised by the Board. It is expected that any reporting requirements associated with DFAST will be incorporated into the new FR Y-14A/Q information collection.

Current Actions: On August 31, 2011, the Board granted initial approval of this proposal. Notice of the proposed action was published in the *Federal Register* on September 7, 2011 (76 FR 55288); the comment period expired on November 7, 2011.

## **General Summary of Public Comments**

The Board received comments from 11 BHCs, 5 trade associations, and a software vendor by letter, email, and orally through outreach calls conducted with prospective respondents. Most of the comments received requested clarification of the instructions for information to be reported, or were technical in nature. Response to these comments will be addressed in the final FR Y-14 reporting instructions. Substantive comments received either addressed the FR Y-14 collection in general, or addressed specific proposed reporting schedules. The final reporting schedules and instructions that incorporate the comments submitted by the public and that were approved by the Board have been provided to the respondent BHCs. The substantive comments are addressed below.

**Detailed Discussion of Public Comments and Federal Reserve Responses** 

The following is a detailed discussion of aspects of the proposed FR Y-14 collection for which the Federal Reserve received one or more substantive comments and the Federal Reserve's responses to the comments received.

### A. General

In their combined comments, four trade groups provided support for the publication of the proposed data schedules for comment and agreed with the relevance of much of the data sought to discern the capital distribution process. However, they expressed concerns with the substance of data requested on several components of the schedules and also sought further clarification. Their substantive comments are discussed below. Another trade group expressed support for the proposed data schedules as they apply to the 19 respondent BHCs, both in terms of the breadth and the depth of the data requested. However, they strongly cautioned against imposing similar reporting requirements on smaller community banks.

The Federal Reserve proposed that respondents would submit a data schedule for any portfolio that meets certain materiality thresholds, which are generally defined as those portfolios with asset balances greater than \$5 billion or asset balances relative to Tier 1 capital greater than 5 percent on average for the four quarters preceding the reporting quarter. A number of commenters requested an increase of these materiality thresholds and to allow the BHCs to exclude certain portfolios on a case-by-case basis.

In selecting the materiality thresholds, the Federal Reserve weighed the benefit of minimizing burden to BHCs against obtaining comprehensive data, which will allow the Federal Reserve to consistently produce supervisory estimates of loss for each BHC under a given scenario. The Federal Reserve believes that the proposed materiality

thresholds strike the right balance between the two considerations and, therefore, will implement the materiality thresholds as proposed.

The proposal stated that the Federal Reserve expects to make the final data schedules available to respondents in late November and to receive completed FR Y-14Q data submissions by mid-December and FR Y-14A data submissions by early January. Several commenters expressed concerns about the short turnaround time to submit the data once the data schedules are finalized, particularly given the granularity of the data requested.

The timeline for the initial data submission largely reflects the timeline for implementation of the proposed capital plan rule. As stated in the initial *Federal Register* notice and in the proposed FR Y-14Q instructions, the quarterly data will be used to produce supervisory model estimates, which will be a key input to the CCAR process. The Federal Reserve weighed the benefit of providing additional time to complete the data submission against the need to have sufficient time to validate the data and produce supervisory model estimates based on the submitted data in order to provide timely responses to BHCs to their Capital Plan. After further consideration, the Federal Reserve will implement the timeline as proposed. However, in response to other comments discussed below, the Federal Reserve will implement several changes to the data schedules to reduce burden.

Two commenters further suggested that respondents should be exempt from submitting the fourth quarter 2011 data given a later filing deadline for the third quarter data. The quarterly data collection will help the Federal Reserve enhance its supervisory models and support ongoing supervisory activities. The BHCs will be required to submit

the fourth quarter 2011 data 45 days after the quarter ends or approximately two months after the third quarter 2011 data are due. The Federal Reserve will implement a February 14, 2012, due date for the fourth quarter FR Y-14Q as proposed.

Several commenters requested clarification on the reporting of particular data items when the BHCs do not maintain the data in their systems. The same commenters suggested either eliminating the particular data items or allowing BHCs to leave the data items blank. In response to other comments discussed below, the Federal Reserve will implement several changes to the data schedules to reduce burden and to ease the completion of the data schedules.

A couple of commenters suggested a staggered approach to data collection where some data are collected for the initial submission, but other data, particularly historical data, are collected in future quarters. They suggested staggered due dates to lessen the burden for the initial submission, given the short turnaround time, while allowing the Federal Reserve to collect data in the future.

The data reported on the FR Y-14Q schedules, which include, in some cases, a one-time request for historical data, are essential for supervisory models and allow the Federal Reserve to produce supervisory estimates consistently across all BHCs. However, in response to other comments discussed below, the Federal Reserve will implement several changes to the data schedules to reduce burden.

Several commenters stated that there is a significant overlap between certain FR Y-14 data schedules and data currently provided by large national banks to their banking regulator. Other commenters noted an overlap between certain FR Y-14 data schedules (e.g. Securities) and other existing Federal Reserve supervisory data collections. Upon

implementation, BHCs will be required to submit the FR Y-14 schedules. The Federal Reserve does not believe that other data collections overlap with the FR Y-14. Upon implementation, the FR Y-14 data schedules would replace the Federal Reserve's ongoing supervisory data collection of a similar nature for all 19 BHCs.

Several commenters noted inconsistencies in the reporting requirements for loans classified as held for sale and held for investment accounted for under a fair value option. Recognizing the inconsistencies noted by the commenters, the Federal Reserve will add new data items to the Wholesale, Retail, and Summary schedules to ensure the consistent treatment of these assets across portfolios. Recommended changes to the affected schedules are described below.

One commenter noted that BHCs should have the opportunity to review, provide feedback, and amend the market shocks, particularly as it applies to the CCAR 2012 exercise. The Federal Reserve does not agree that it would be beneficial to engage the BHCs in an iterative process to determine the market shocks provided. BHCs will have the opportunity to provide their own shocks in the BHC specified scenarios.

The trade groups expressed concern about the delay in the Federal Reserve's responses to technical and clarifying questions and urged the Federal Reserve to clearly set forth a robust and transparent process for responding to future inquiries in a timely manner. The Federal Reserve will implement an enhanced and streamlined process for answering these types of questions in a timely manner during the CCAR 2012 exercise.

### B. Trading Risk Schedule

One commenter suggested, citing a potentially heavy reporting burden, allowing BHCs to interpolate the data for the Trading Risk schedule using the data produced on a

regular basis for internal risk reports, where appropriate. The Federal Reserve recognizes the potential significant reporting burden and will allow BHCs to interpolate the data to map into the Trading Risk schedule.

Several commenters noted structural problems with the equities and commodities spot/volatility grids in the proposed schedule and urged the Federal Reserve to make modifications to the schedule. Specifically, they argued that the range of shocks defining the grid go beyond those that would reasonably be expected given historical volatility and that some of the spot/volatility combinations were not reflective of the historical relationship between prices and volatility. The Federal Reserve recognizes the commenters' concern and will adjust the range of shocks to be consistent with the range of historical volatility across the term structure. Further, the Federal Reserve will remove the reporting requirements for the combinations of spots and volatility points that would be inconsistent with the historical distribution of combinations.

Two commenters suggested that the comingling of directional risk and basis risk in the DV01 worksheet of the Trading Risk schedule obfuscates the interest rate exposure, and that it would be more appropriate to distinguish between the risks. The Federal Reserve agrees with the comment, and will separate the base curves and basis risk in the tables so that they are clearly differentiated.

Several commenters suggested changes to the Trading Risk schedule, including increasing granularity or adding risk metrics in the Trading Risk schedule. The Federal Reserve will not make such changes at this time but will consider those comments for potential future revisions to the schedule.

One commenter suggested adding business line materiality thresholds, in addition to the BHC-level materiality thresholds described above, because it is operationally difficult to capture small amounts of risk in business lines where risk is not the main risk factor. The commenter further proposed not completing the exposures portion of the worksheets for immaterial risk (e.g. less than 5 percent of total for a given risk exposure metric). The Federal Reserve believes that the exposure should be aggregated at a firm-level, not by business line, and therefore, recommends using existing minimum thresholds in the proposed worksheets. The estimated aggregate exposure of positions not included should be less than the stated minimum threshold for each table.

The initial *Federal Register* notice indicated that the as-of-date for the Trading Risk schedule for the third quarter, the annual CCR schedule, and the Trading Risk worksheet in the Summary schedule would be communicated to the BHCs sometime in the third or fourth quarter of each year. Two commenters noted that the BHCs should be permitted to submit data using the BHCs regular weekly report as long as this date falls during the week of the official as-of-date. Another commenter suggested that the Federal Reserve should shorten the time period from which the as-of-date would be selected.

The Federal Reserve agrees with both comments and will allow BHCs to submit the trading data as of the most recent date that corresponds to the regular reporting cycle that falls prior to the official trading as-of-date. In addition, the Federal Reserve will communicate the as-of-date in the fourth quarter of each year.

### C. CCR Schedule

Several commenters indicated that there is significant burden associated with the requirement to run multiple scenarios and specifications to capture Expected Exposure

(EE) profiles (i.e. running two separate specifications for each of the unstressed EE profile, stressed EE profile using the BHC shock scenario, and stressed EE profile using the Federal Reserve shock scenario) to complete the CCR schedule. The Federal Reserve acknowledges the burden placed on BHCs of running all six combinations of scenarios and specifications and the resulting effects on data quality. Therefore, the Federal Reserve will remove two of the three specified EE profiles under the Federal Reserve specification, namely, the unstressed EE profile and stressed EE profile using the BHC shock scenario. Unstressed EE profiles as well as EE profiles using both the BHC and Federal Reserve shock scenarios are required for the BHC specification. In addition, the stressed EE profile using the Federal Reserve shock scenarios and the Federal Reserve specification is also required.

One commenter stated that the "Trading IDR losses from securitized products" data item should not include losses from asset-backed securitized (ABS) products which typically have multiple-name underlying reference obligations (such as residential mortgage-backed securities (RMBS) or commercial mortgage-backed securities (CMBS)). The dominant part of the risk in these products (when held in the trading book and marked to market) is general market risk, and is therefore fully captured as mark-to-market losses in the trading book loss calculation. The commenter noted that this view is also reflected in the proposed rule on the *Capital Adequacy Guidelines for Bank Holding Companies: Market Risk Measure* (Appendix E of 12 CFR Part 225), which does not propose calculating an incremental default risk measure for these products.

The Federal Reserve disagrees with the comment and believes that in order to fully capture all default and impairment risk for assets under a given scenario, all

securitization structure types, including ABS, CMBS, and RMBS, should be included in the calculation. The underlying assets incur additional default, which translates into impairment to the bonds. The additional incremental loss above and beyond the market risk shock should be included in the calculation.

One commenter noted that in a prior CCR submission, the BHC provided additional columns and rows of data in order to better explain the portfolio. The commenter asked if they could continue to voluntarily provide this additional explanatory data, and if so, whether the FR Y-14 reporting format would allow the submission of such additional data. The Federal Reserve agrees and appreciates BHCs providing any additional data to give clarity to the portfolio analysis. The Federal Reserve will create a separate tab and add a separate column on the existing schedule for BHCs to provide additional explanatory data at their option.

### D. Retail Risk Schedule

One commenter suggested that non-purpose securities-based lending should be excluded from the Other Consumer Loans worksheet, given that the risk characteristics of this lending type are markedly different from other loans reported in the worksheet. In referencing the relevant corresponding data item collected on the FR Y-9C<sup>2</sup>, the proposed worksheet indicates that securities-based lending is included in the definition of other consumer loans. The Federal Reserve agrees with the comment and will exclude non-purpose securities-based lending from the definition of other consumer loans.

One commenter indicated that the difference in segment breaks across retail schedules presents a logistical challenge, and recommended creating consistent segmentations across portfolios. The Federal Reserve carefully weighed the need for

<sup>2</sup> The Consolidated Financial Statements for Bank Holding Companies (FR Y-9C; OMB No. 7100-0128).

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consistency against potential added burden and the need to capture risk characteristics of each portfolio in selecting segment breaks, and will maintain the segment breaks as proposed.

In response to the comments noted above related to inconsistent treatment of held for sale and held for investment loans accounted for under the fair value option, the Federal Reserve will replace a segment variable, "SOP 03-3" with a variable for "Accounting Treatment" to the domestic mortgage schedule. The segment will have an option for Held for Investment—ASC 310-30³ Purchase Impaired, Held for Sale/Held for Investment under a Fair Value Option or Other.<sup>4</sup>

One commenter suggested that an additional segment should be added in the Small and Medium Enterprise schedules to separate lines of credit from loans. The Federal Reserve will not make a change at this time as a full assessment of the effect of such a change on burden has not been completed. However, the Federal Reserve will consider this comment for potential future updates to the schedules.

### E. Wholesale Schedule (CRE data)

Several commenters indicated that reporting data on cross-collateralized loans as requested for the CRE collection would present a significant challenge. Some commenters suggested that the due date for the initial submission of CRE data should be moved to December 31 in order to allow the BHCs to make necessary changes. The commenters also suggested that the definition for the data item that captures the loan numbers of cross collateralized loans should be changed from "cross collateralized and/or cross defaulted" to "cross collateralized and cross defaulted." Finally, they commented

<sup>3</sup> ASC 310-30 is the new FASB codification for SOP 03-3.

<sup>4</sup> Other includes all mortgage loans that are not reported under fair value accounting or under ASC 310-30.

that loans that have less than \$1 million committed should be excluded for the purpose of cross-collateralization, given its statistical irrelevance and the significant operational challenges.

The Federal Reserve will retain the initial CRE submission deadline of December 15, consistent with the deadline for all other quarterly schedules. However, in response to comments, the Federal Reserve will revise the CRE collection so that BHCs will only report the loan numbers of other cross collateralized loans, not other cross defaulted loans. In addition, for loans less than \$1 million that are cross collateralized with loans that have commitments greater than \$1 million, the Federal Reserve will require BHCs to report only three data items—Loan Number, Outstanding Balance, and Committed Balance. All other data items will be optional. However, as proposed, BHCs will report all loans greater than \$1 million based on committed balance.

One commenter suggested that by not capturing non-CRE collateral, the data resulting from the proposed CRE schedule would overstate loan-to-value ratios. The Federal Reserve agrees with the comment, and will add an optional data item for BHCs to report cash and marketable securities where a BHC has a first perfected security interest.

In response to the comments noted above related to inconsistent treatment of held for sale and held for investment loans accounted for under a fair value option, the Federal Reserve will add mandatory data items to capture the reserve applied to the loan subject to ASC 310-10, the ASC 310-30 related adjustment for debt securities acquired in a transfer and the fair value adjustment on loans classified as held for sale and held for investment at fair value.

#### F. Wholesale Schedule (Corporate Loan data)

Many commenters expressed a concern that the significant amount of detail (44 data items) proposed for collection of corporate loan facilities in the Corporate Loan schedule will represent a significant burden for BHCs. In response to these comments, the Federal Reserve will modify the Corporate Loan collection to implement a \$1 million threshold for certain "other" loan categories and to exclude unplanned overdraft and loans for purchasing and carrying securities (secured or unsecured).

In response to the comments noted above related to inconsistent treatment of held for sale and held for investment loans accounted for under a fair value option, the Federal Reserve will replace the proposed mandatory field "Other Than Temporary Impairment (OTTI)" which captured only credit impairment charges with a mandatory data item, "Fair Value Adjustments (FVA)" to capture any fair value adjustments on held for sale and held for investment loans accounted for under a fair value option.

## G. PPNR Schedule

Several commenters expressed concerns about the level of granularity requested in the PPNR schedule and their ability to provide the data within the timeframe for the initial submission. The commenters expressed concerns about the PPNR Submission/Projections worksheet, particularly related to the section on net interest income by business segment, noting that historical and projected periods would be challenging to map to existing internal management reporting systems. Commenters noted that any estimates would have significant data quality concerns. In addition, they noted that data on the PPNR Metrics worksheet would be difficult to provide on a forward looking and historical basis. The commenters also expressed concerns about their ability to provide data as requested on the Net Interest Income (NII) worksheet, and

requested that BHCs should have an option to submit either the PPNR Submission worksheet or the NII worksheet, not both. Further, several commenters suggested that materiality thresholds should be considered for data items collected in the PPNR schedule as they are for balance sheet items.

In response to these comments, the Federal Reserve will implement several revisions to the PPNR worksheets. First, the instructions will be modified to underscore that BHCs for which deposits comprise less than one third of total liabilities for any reported period need only complete the PPNR Submission/Projections worksheets and the related portion of the PPNR Metrics worksheets. Such BHCs would designate the PPNR Submission/Projections worksheets as "Primary Net Interest Income" and the NII worksheet as "Not Applicable." Second, all other BHCs will specify either the PPNR Submission/Projections or the NII worksheet as "Primary Net Interest Income" and the other as "Supplementary Net Interest Income" through a pull down menu at the top of each worksheet. Note that this designation will refer only to the NII portion of the worksheets; all other items on the PPNR Submission worksheet and the related portion of the PPNR Metrics worksheet must be completed.

The schedule designated as "Primary Net Interest Income" and the related portions of the PPNR Metrics worksheet will be the main sources of analysis and assessment by the Federal Reserve. Therefore, the Federal Reserve will require that BHCs continue to complete all data items in the primary schedule and the related portion of the PPNR Metrics worksheet. The Federal Reserve will require that BHCs also provide additional information in the supporting documentation for the PPNR schedule, including the discussion of consistency of a given schedule with the BHC's external

reporting and internal reporting and forecasting; a description of broadly-defined types of business models they currently use (e.g. Asset/Liability, Relationship, Business Product/Services/Activity and others); high-level descriptions of motivations for their choices of models for conducting business, reporting (internal/external) and forecasting profit and loss result; benefits/challenges associated with those models; and methodologies employed. For purposes of the FR Y-14 schedules, once a BHC makes a "primary" designation, it will continue to treat a given schedule as "primary" for all historical and forecast periods.

The "Supplementary Net Interest Income" worksheet and the related portion of the PPNR Metrics worksheet will be used as supplementary sources of analysis and assessment by the Federal Reserve. BHCs will provide the data for the "supplementary" worksheet on a "best efforts" basis and complete this worksheet to the fullest extent possible. It is expected that all data items identified with a number (e.g. 6), but not a number and letter (e.g. 6A) will be completed. In the supporting documentation, the BHCs will provide information on which data items or areas were particularly challenging to complete and reasons for the challenge.

Third, the Federal Reserve will add a materiality threshold for the business segments within the PPNR Submissions/Projections worksheets. For each of the 10 major segments, BHCs will be required to report the PPNR Submission/Projections and PPNR Actual/Projection data only if revenues for that segment relative to total revenues exceeded 5 percent in any of the last four quarters preceding the first projection period requested on the PPNR schedule. BHCs will report all immaterial business segment revenue in a separate catch-all data item on the PPNR Submission/Projections worksheet

and report no data for those immaterial segments on the PPNR Metrics worksheet.

Additionally, if the total immaterial business segment revenue relative to total revenue is greater than 10 percent in any of the last four quarters preceding the first projection period requested on the PPNR schedule, the BHCs must report actuals/projections for the largest business segment among the immaterial business segments for all quarters in the PPNR Submissions/Projections and PPNR Metrics worksheets. Note that for purposes of the PPNR schedule, revenue is defined as the sum of NII and non-interest income adjusted for selected exclusions.

Finally, the Federal Reserve will add materiality thresholds for international breakouts by region based on whether international revenue exceeded 5 percent of total revenue for a given BHC in any of the last four quarters preceding the first projection period requested on the PPNR schedule. Changes implemented for the PPNR schedule will also apply to the relevant PPNR worksheets in the Summary schedule.

### H. Regulatory Capital Instruments and Basel III Schedules

Two commenters raised concerns about potential duplicative data requests related to Basel III with a potential overlap with the recent Basel Committee's Basel III Implementation Monitoring Quantitative Impact Study (QIS) data collection request. There are key differences between FR Y-14 Basel III annual and quarterly schedules and the template used for the QIS (the most recent submission of which was due in October 2011). Whereas the Basel Committee intends to collect actual point-in-time data twice a year as of the second and fourth quarters, the annual FR Y-14 Basel III schedule will collect each year actual balances as of the third quarter in addition to forecasted fourth quarter balances for all future periods through year-end 2016. In addition, the Basel III

schedule will collect data and supplemental information on material planned actions that the BHC intends to pursue over that same forecasted period to address the impact of Basel III on the BHC's capital, risk-weighted assets, and/or leverage exposures.

The quarterly Basel III schedule will be used to conduct quarterly monitoring of each BHC's progress against the forecasted data provided on the annual Basel III schedule. The data for the quarterly schedule will not be as granular as the data collected in the annual schedule, and will only be collected in quarters in which the annual schedule is not collected.<sup>5</sup> Specifically, the quarterly schedule collects quarterly point-intime total balances only for Tier 1 Common, Tier 1 Capital, Risk-weighted Assets and Leverage Exposures, including a few select components of those balances.

One commenter requested the collection of additional information on the annual and quarterly Basel III schedules. The commenter stated that fully understanding the Basel treatment for regulatory capital instruments is crucial in order to assess the quality of each instrument within a BHC's capital inventory (and the totality of the capital instrument inventory), under the Basel I and Basel III capital frameworks. Since Basel treatment is dependent on instrument-specific characteristics, they suggested modification of the annual and quarterly worksheets such that the BHC may specify the relevant Basel treatment, especially in cases where no CUSIP<sup>6</sup> number or other internal identification number is provided.

Specifically they suggested adding a column for Basel III treatment to the Redemptions Q3 20YY worksheet and two columns for Basel I and Basel III treatments,

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<sup>&</sup>lt;sup>5</sup> Likewise, the data for the Regulatory Capital Instruments quarterly schedule will only be collected in quarters in which the annual schedule is not collected.

<sup>&</sup>lt;sup>6</sup> CUSIP refers to the Committee on Uniform Security Identification Procedures. This 9-character alphanumeric code identifies any North American security for the purposes of facilitating clearing and settlement of trades.

respectively, to the Redemptions 4QYY-4QZZ worksheet in the FR Y-14A schedule. The commenter also suggested adding two columns for Basel I and Basel III Treatments, respectively, to the Planned Action Detail from the CCAR Submission section and also to the Planned Redemption Details from the CCAR Submission and/or Report Missing Planned Redemption section of the Confirm Proposed Redemption worksheet. The commenter stated that they believe these data are necessary to analyze the specific instrument that the BHC has redeemed or plans to redeem (depending on whether the worksheet collects actual or projected data).

In addition, in order to fully analyze and assess the composition of Tier 1 and Tier 2 capital, the commenter recommended adding a column titled "Capital amount redeemed" (between proposed columns R and S) to the Confirm Proposed Redemptions worksheet of the quarterly Regulatory Capital Instruments schedule. The commenter believes this change is necessary in order to collect information on the amount of the instrument actually redeemed. Although column L collects information on the amount planned to be redeemed, this additional field is necessary in the event the actual amount executed differs from the amount that was originally planned.

The Federal Reserve agrees with these comments, and will implement the suggested changes to the Regulatory Capital Instruments and Basel III annual and quarterly schedules.

#### I. Summary Schedule

One commenter requested the addition of new data items related to repurchase reserve/liability for representations and warranties to the Income Statement worksheet in

the Summary schedule. Specifically they requested the collection of the following data items (4 reported data items and 1 data item calculated by an imbedded formula):

- New data item 59, "Reserve, prior quarter"
- New data item 60, "Provisions during the quarter"
- New data item 61, "Net charges during the quarter"
- New data item 62, "Reserve, current quarter" (This data item would be calculated and not reported by the BHC: sum of items 59 and 60 less item 61.)
- New data item 63, "Line item of PPNR Submission/Projections worksheet where repurchase provision is recorded"

The commenter noted that these data items would allow supervisors to view the evolution of BHCs' projections of repurchase reserve/liability for representations and warranties.

The Federal Reserve recognizes that while BHCs have taken steps to reduce the risk associated with representations and warranties, this issue has not been fully resolved since CCAR 2011. The Federal Reserve agrees with these comments and will implement the suggested changes to the Income Statement worksheet in the Summary schedule.

Note that these data items were also reported by BHCs in their CCAR 2011 submission and do not duplicate other data reported on this or any other information collection.

One commenter noted that because information on settlements related to representation and warranty breaches in both the Retail Repurchase and Historical Operational Risk worksheets of the Summary schedule is being collected that this may result in double counting related exposures. The Federal Reserve agrees with this comment and will clarify the instructions for the Summary schedule to ensure the representation and warranty breaches captured in the Retail Repurchase worksheet are not captured in the Historical Operational Risk worksheet.

One commenter requested clarification of the difference between the C&I Small Business (Graded) and Small Business (Scored/Delinquency Managed) data items on the

Income Statement and Balance Sheet worksheets of the Summary schedule. The Federal Reserve will better align these worksheets with other regulatory report loan classification schemes, thereby ensuring no overlap in reporting requirements across FR Y-14 schedules.

Two commenters requested a change to the allowance for loan and lease losses (ALLL) referenced in the Income Statement worksheet of the Summary schedule to an allowance for credit loss (ACL) reference, as that would be in line with their practice of provisioning for ALLL and for an allowance for unfunded credit commitments. In order to provide greater distinction between the ALLL and that for off-balance sheet credit exposures, the Federal Reserve will add a memorandum item to the Balance Sheet worksheet and adjust the Income Statement worksheet to capture a breakout of this component. These adjustments will allow BHCs to provide both pieces of the total allowance.

One commenter noted that, in addition to net charge-offs, they provision for neutral items and that the allowance roll-forward doesn't allow the BHC to record these provision-neutral impacts. The Federal Reserve agrees with this comment and will add a data item to the ALLL section to capture non-provision or charge-off related changes to the ALLL, making the section more consistent with Schedule HI-B, Part II of the FR Y-9C.

One commenter raised concerns about the legal implications of disclosing estimated litigation losses on a granular basis on the Operations Risk worksheet in the Summary schedule. The Federal Reserve notes that a number of data items collected on the FR Y-14A and Q, including respondents' projections, may be considered trade secrets

or confidential supervisory information. As such, respondents' estimates of litigation

losses are expected to remain confidential.<sup>7</sup>

In response to the comments noted above related to the inconsistent treatment of

held for sale and held for investment loans accounted for under a fair value option, the

Federal Reserve will add a Fair Value Loan worksheet, and a change to the income

statement instructions to capture the marks taken on fair value loans. The Fair Value

Loan worksheet will capture the aggregate fair values and unpaid principal balances of

loans classified as held for sale or held for investment measured at fair value in the

following asset classes: first lien mortgage, home equity line of credit, credit card, auto

loans and leases, student loans, small business loans, and other consumer loans. In

addition, the instructions for the Summary schedule will be clarified to indicate that any

losses related to loans held for sale or held for investment with the fair value option

should be reported on the Income Statement worksheet of the Summary schedule under

"Other Losses."

Finally, the Federal Reserve will remove data items related to mortgage servicing

rights (MSRs) from the Trading worksheet of the Summary schedule to further reduce

burden on respondents. All MSR-related earnings, including those captured in the

trading book, will be reported on the PPNR worksheet of the Summary schedule.

Board of Governors of the Federal Reserve System, November 21, 2011.

Jennifer J. Johnson

Secretary of the Board.

Billing Code: 6210-01-P

<sup>7</sup> The confidentiality of information submitted to the Board under the data schedules and related materials shall be determined in accordance with applicable exemptions under the Freedom of Information Act

(5 U.S.C. 552) and the Board's Rules Regarding Availability of Information (12 CFR part 261).

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